

## Message Text

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ACTION ARA-10

INFO OCT-01 IO-10 ISO-00 TRSY-06 SP-02 AID-05 EB-07 NSC-05

CIEP-02 SS-15 STR-04 OMB-01 CEA-01 FRB-01 XMB-04

CIAE-00 DODE-00 INR-07 NSAE-00 PA-02 USIA-15 PRS-01

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 2384

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INFO AMEMBASSY GENEVA

UNCLAS BUENOS AIRES 5669

GENEVA FOR USDEL MTN

E.O. 11652: N/A

TAGS: ETRD, BFRO, AR

SUBJ: EXPORT AND IMPORT REGIMES

REF: A) BA5387; B) BA5026; C) A-165; D) BA2713; E) A-157

1. THERE FOLLOWS AN UPDATE AND SUMMARY OF CURRENT GOA EXPORT AND IMPORT REGIMES.

2. EXPORT REGIME: EXPORT TAXES AND SUBSIDIES NOW IN FORCE, ESTABLISHED BY RESOLUTION 129 (JUL 15), RANGE FROM 5 TO 50 AND 5 TO 40 PERCENT, RESPECTIVELY. ALSO AN ADDITIONAL 5 PERCENT SUBSIDY CONTINUES IN FORCE WHEN EXPORTING TO NON-TRADITIONAL MARKETS. FURTHERMORE, PRODUCTS INCLUDED IN LIST NO. 2 OF RESOLUTION 129 (PROMOTED MANUFACTURED EXPORTS) HAVE BEEN SHIFTED FROM THE COMMERCIAL TO THE HIGHER FINANCIAL RATE. THE SPREAD IN THE EFFECTIVE EXCHANGE RATE FOR EXPORTS NOW RUNS FROM A LOW OF 16.75 PESOS PER DOLLAR FOR NON PROMOTED TRADITIONAL ITEMS TO A HIGH OF 61.63 PESOS PER DOLLAR FOR PROMOTED MANUFACTURED GOODS EXPORTED TO NON-TRADITIONAL MARKETS. (LAST DEVALUATION UNCLASSIFIED

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(REFTEL A) SET COMMERCIAL RATE AT 33.50 PESOS PER DOLLAR AND

FINANCIAL RATE AT 42.50 PESOS PER DOLLAR).

3. IMPORT REGIME: ON THE IMPORT SIDE SEVERAL MEASURES HAVE BEEN TAKEN:

RESOLUTION 130 (JUL 15) REQUIRES THAT ALL PRODUCTS IN LISTS B AND C OF CENTRAL BANK CIRCULAR RC519 PAY THE FINANCIAL RATE WHILE ONLY PRODUCTS IN LIST A, ESSENTIALLY RAW MATERIALS, CAN BE IMPORTED AT THE COMMERCIAL RATE.

4. RESOLUTION 22 (AUG 4) SUSPENDS UNTIL DECEMBER 31, 1975, IMPORTS OF SEVERAL PRODUCTS: MILK AND DAIRY PRODUCTS, CIGARETTE FILTERS, TOOLS, PUMPS, SOME FOOD PROCESSING MACHINERY, SOME PRINTING EQUIPMENT, STORAGE BATTERIES, TRACTORS, SEWING MACHINES, RAIL-ROAD EQUIPMENT AND PARTS ETC. EXEMPTED FROM THIS RESTRICTIONS ARE SAMPLES, PRODUCTS IMPORTED FROM LAFTA AND THOSE IMPORTED UNDER INDUSTRIAL PROMOTION REGIMES. RESOLUTION 22 ALSO SUSPENDS, UNTIL DEC 31 1977, IMPORTS OF SECOND-HAND MERCHANDISE FROM ANY COUNTRY EXCEPT THOSE INCLUDED IN INDUSTRIAL PROMOTION REGIMES, PERSONAL EFFECTS, DIPLOMATIC IMPORTS AND SAMPLES.

5. RESOLUTION 88 ESTABLISHING IMPORT REGIME BASED ON SEMIANNUAL PROGRAMS (REFTEL B) HAS BEEN FOLLOWED BY RESOLUTION 23 (AUG4) WHICH SETS FORTH IMPLEMENTARY REGULATIONS. LATTER RESOLUTION ESTABLISHES THAT FROM AUGUST 4, ONLY IMPORT APPLICATIONS WHICH FALL UNDER CATEGORIES LISTED BELOW AND CONFORM TO TERMS OF RESOLUTION 88, WILL BE APPROVED.

A) PRODUCTS INCLUDED IN INDUSTRIAL SECTORAL AGREEMENTS (I.E. AUTO INDUSTRY AGREEMENT SIGNED JUN 16 (REFAIRGRAM C). THIS TYPE OF AGREEMENT, WHICH HAS ALSO BEEN SIGNED WITH THE CIGARETTE, PHARMACEUTICAL, AND OTHER INDUSTRIES, COMMITTED THE INDUSTRIES TO OBTAIN SPECIAL EXTERNAL FINANCING FOR THEIR IMPORTS OVER SPECIFIED PERIOD OF TIME, IN RETURN FOR APPROVAL OF THE IMPORT PROGRAM AND WAIVER OF THE 100 PERCENT EXCHANGE INSURANCE REQUIREMENT.

B) GOODS TO BE USED AS FIXED ASSETS, WHEN IMPORTED BY END-USERS,

C) VALUED BELOW 10,000 DOLLARS BY IMPORTER.

D) GOODS FROM LAFTA COUNTRIES.

6. CAPITAL GOODS IMPORTS REMAIN SUBJECT TO FINANCING TERMS ESTABLISHED BY CENTRAL BANK CIRCULAR RC524 (REFTEL D) BUT EXEM- UNCLASSIFIED

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TED FROM EXCHANGE INSURANCE REQUIREMENT (REFAIRGRAM E). THEY ARE ALSO RESTRICTED TO END-USERS, PROBABLY TO AVOID STOCK BUILDING BY IMPORTERS. IMPORT APPLICATIONS FOR CAPITAL GOODS CAN BE PRESENTED AT ANY TIME BUT FOLLOWING RULES OF RESOLUTION 88.

7. SUMMARY: GOA IS MAKING EFFORTS TO GIVE PRICE INCENTIVES TO EXPORTERS AND RESTRICT IMPORTS TO ESSENTIAL ITEMS DUE TO BALANCE OF PAYMENTS CRISIS, BY RAISING THEIR COST. WITH THE FOURTH

DEVALUATION OF THIS YEAR, ON AUG 11, GOA HAS SOUGHT TO RESTORE EXPORT CAPABILITY TO SEVERAL SECTORS WHICH HAVE PROBLEMS DUE TO INTERNAL COST INCREASES SINCE JUN 1975. IMPORTS HAVE BEEN DEPRESSED BY INCREASING THEIR COSTS. (I.E. THRU RATE OF EXCHANGE 100 PERCENT EXCHANGE INSURANCE PRIOR IMPORT DEPOSIT) AND RESTRICTING ACCUMULATIONS OF STCKS BY ISSUING IMPORT PERMITS TO END USERS (PER RESOLUTION 23 PARA. 5 A) AND B) ABOVE. FURTHERMORE, CENTRAL BANK IS AUTHORIZING VERY FEW IMPORT APPLICATIONS FOR CAPITAL GOODS IN VIEW OF SCARCE EXCHANGE AVAILABILITY.

8. COPIES OF RESOLUTIONS 129, 130, 22 AND 23 WILL BE FORWARDED TO DEPARTMENTS OF COMMERCE AND STATE BY AIRPOUCH.

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